

BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: Public Health
Department
Department No.: 041
For Agenda Of: June 21, 2011
Placement: Administrative
Estimated Tme:
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors
FROM: Department Takashi Wada, MD, MPH, Director and Health Officer
Director Public Health Department
Contact Info: Darrin Eisenbarth, IT Manager, Public Health Department
681-5293
SUBJECT: Amendment to Agreement with McKesson Information Systems, LLC

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Other Concurrence: Risk Management

As to form: Yes

Recommended Actions:

That the Board of Supervisors approve and authorize the Public Health Director to execute an Amendment to License Agreement No. C90407770 with McKesson Information Solutions LLC that includes software licensing, maintenance, anticipated upgrades and processing services for patient billing in an amount not to exceed \$777,500, for the period July 1, 2011 to June 30, 2014. The vendor is not a local vendor.

Summary Text:

The Public Health Department has used practice management software provided by McKesson for over twenty years. The computer application provides registration, appointment scheduling, and patient billing processing including statements, insurance claims and electronic remittance. Your Board has previously approved this agreement since September 1997 with the latest approval taking place on June 03, 2008. The Agreement Amendment before the Board will enable the continuation of this mission-critical practice management system over the next three (3) years.

Background:

The Public Health Department provides direct medical services to residents of Santa Barbara County at six health care centers and four satellite locations. The McKesson practice management system has been in place since 1989 and provides patient scheduling, registration and billing services for efficient clinic management and maximizing revenue. Annual patient billing revenue generated by the system is approximately \$35,000,000.

The following table illustrates the cost per year for the three (3) year term: June 1, 2011 through May 31, 2014:

	Component	FY 11/12	FY 12/13	FY 13/14
1.	Annual software maintenance fee	90,000	93,600	97,500
2.	Technical support (billed on an hourly basis)	6,000	6,000	6,000
3.	Insurance claims and statements processing services	120,000	126,000	132,400
4.	Anticipated software upgrade costs	100,000	over 3 years	
	Grand total:			\$777,500

The following is an explanation of each itemized cost:

1. Annual software maintenance fees can increase at: 5% annually, or the annual Consumer Price Index for Los Angeles/Orange, whichever is lower. A 4% increase was used in the above table.
2. Technical support calls are billable if the problem is specific to our organization, such as a custom interface. Current billing is \$174/hour. PHD has averaged approximately 30-40 hours per year.
3. Insurance claims and statement processing has increased historically at the rate of approximately 5% per year over the last five years.
4. McKesson distributes a major version upgrade approximately once per year. The department can expect to incur database expenses as well as modifications to our existing interfaces. An estimated \$100,000 in expenses related to version changes is projected over the next three years.

Fiscal and Facilities Impacts:

Budgeted: Yes

Fiscal Analysis:

The McKesson practice management system is very important to the financial viability of the Public Health Department. This is because an accurate and flexible billing system is not only essential for optimal reimbursement, but is also essential for good patient information for data-driven decision making.

The funding for these costs is provided through a combination of Medi-Cal, Medicare, and other patient service funding. The appropriation is included in the Information Technology cost center of the Public Health Department’s Administration and Support Division shown on page D-204 of the County’s FY 2011-12 Operating Plan.

Special Instructions:

Please return an electronic copy of the Minute Order to PHDCU@sbcphd.org.

Attachments:

Amendment P1245355 to License Agreement No. CO407770

Authored by:

Kim Loyst, Systems Analyst, Public Health Department